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## Korea, Republic of Retail Food Sector Home Shopping 2006

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**Report Highlights:**

The Korean home shopping industry has grown at impressive rates in the past decade, emerging as the third largest retail outlet behind department and discount stores.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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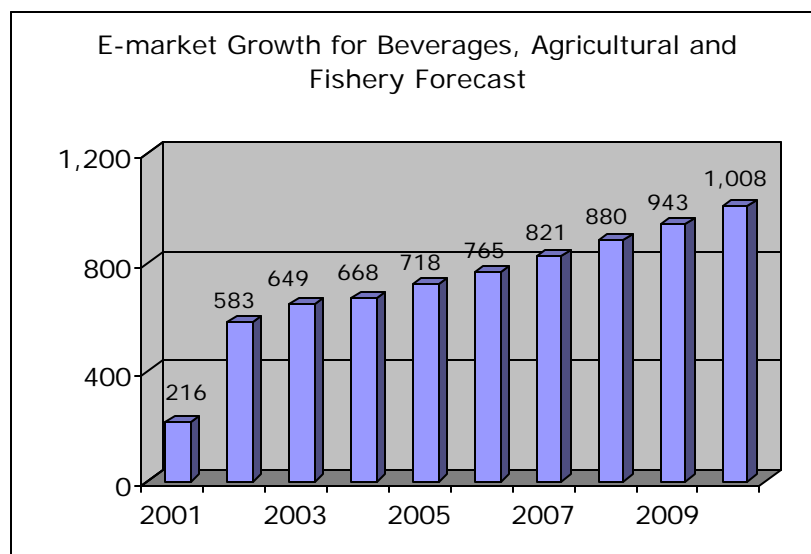
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## Section I. Market Summary

Home shopping includes cable TV, Internet, and catalog sales. Although it has been around for only a little over a decade, the industry has grown at impressive rates as it caters to consumers demands for more choice, convenience and low-cost food products. Sales from the Korean TV home shopping industry reached \$544 million in 2003 and are estimated to have reached \$705 million in 2005. The initial high growth rates in the late 1990s have slowed somewhat in the past few years as the cable TV market is reaching saturation. Still, television-based commerce or TV home shopping has emerged as a new distribution outlet and is the third largest type of retail outlet behind department stores and discounters beating convenience stores and supermarkets.

**Chart 1: Forecasted E-market Growth**

Unit: Million USD



Source: KISDI (Korea Information Strategy Development Institute), May 2004

Exchange Rate used: 1 USD = 943.127 KRW (7/12/2006)

Internet shopping is also increasing and may have already surpassed TV home shopping in sales. Korea is one of the leading countries in the world in terms of broadband penetration with 33 million users representing 72 percent of the total population over the age of six. In 2003, total sales for online shopping were approximately \$616 million of which \$50 million were for food and beverages. According to the consumer research company TNS (Taylor Nelson Sofres), during 2001 over 30 percent of Koreans accessed Internet shopping malls, and over 15 percent were frequent shoppers—a figure that is steadily increasing. Agricultural and fishery products have a 9 percent market share and sales are increasing by an average of 6.5 percent annually.

Advantages	Challenges
Korean shoppers are looking for convenience and TV home shopping offers an alternative to crowded grocery stores.	TV home shopping and online shopping malls have very different target audiences, but both are also limited.
Korean consumers are quick to adapt new technologies.	U.S. exporters lack understanding about e-commerce infrastructure and culture.
Consumers can purchase food products through home shopping outlets for as much as 15 percent cheaper than through other retail outlets.	Aggressive competition within the industry requires on-time delivery services, product quality assurances, and generous return policies.
Korean consumers are looking for choices and the Internet is widely used for that reason.	Korean consumers tend to concentrate their purchases to sites of reputable and larger retailers.

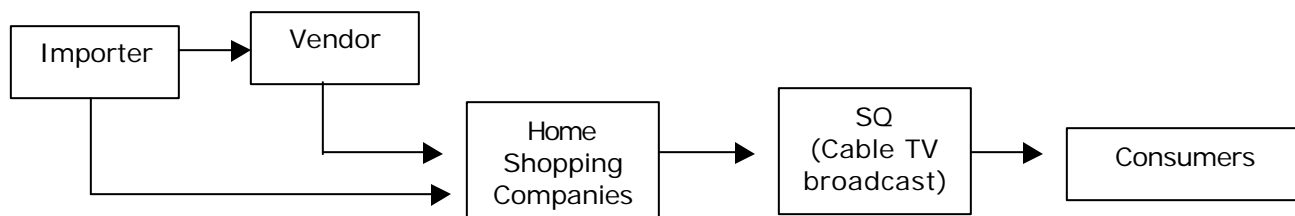
## Section II. Road Map for Market Entry

### 1. Entry Strategy

The Korean government maintains strict regulations on food imports and requires various documents prior to import clearance. An established importer who can provide market intelligence and guidance will be a valuable asset. In addition, aggressive competition with the TV home shopping and online grocery industry is likely to require greater product quality assurances from the exporter.

Designated vendors are employed by the home shopping companies to conduct research on possible products, purchase the product, develop packaging designs, marketing and delivery. There are less than 20 designated vendors for the five major home shopping companies and they are more or less responsible for choosing which importers the home shopping company works with. They examine the importer's market share, name recognition, financial status and the potential of a new product. As a result, it is very important to work with a reputable importer in a stable financial position. In order to work with a home shopping company, importers are required to have large amounts of capital (products sold through home shopping companies need to be imported in advance and in large quantities) and warehouse space. A deposit of \$1 million is required to cover the risk of returned goods, which the importers have no control over. It is uncommon for an importer to perform the role of a vendor. However, if an importer has exclusive rights to a particular product, the home shopping company will make an exception and make a contract directly with the importer.

**Chart 2: Distribution Channel for Home Shopping**



Prior to 2004, vendors were worried about introducing imported agricultural products due possible negative perceptions from farmers and consumers. In 2004, California walnuts were introduced through Nongsusan home shopping company and did surprisingly well. Korean consumers, who are focused on eating healthy, had a very positive perception of walnuts.

## 2. Market Structure

The five major home shopping companies in Korea are: CJ Home Shopping, GS Home Shopping, Hyundai Home Shopping, Woori Home Shopping, and Nongsusan Home Shopping. These five companies represent 99 percent of the home shopping market in Korea. GS and CJ are the leading companies.

**Table 1: Major Home Shopping Companies: Sales and Market Share**

Unit: Million USD, Percent

Year	GS	CJ	Hmall	Woori	Nongsusan	Total
2001	\$1,120 (55.3)	\$818 (40.4)	\$21 (1.0)	\$40 (2.0)	\$26 (1.3)	\$2,026
2002	\$1,900 (42.5)	\$1,502 (33.6)	\$429 (9.8)	\$367 (8.2)	\$269 (6.0)	\$4,466
2003	\$568 (39.4)	\$421 (29.3)	\$204 (14.2)	\$145 (10.1)	\$102 (7.1)	\$1,440
2004	\$532 (35.3)	\$433 (28.8)	\$210 (13.9)	\$183 (12.1)	\$148 (9.8)	\$1,506
2005e	\$404 (26.5)	\$341 (22.4)	\$168 (11)	\$146 (9.6)	\$465 (30.5)	\$1,524

Exchange Rate used: 1 USD = 950.260 KRW (7/10/2006)

Source: Public data from Home Shopping companies and ATO Seoul estimates from trade interviews

Increasingly, home shopping companies are leveraging their resources by expanding into Internet retail channels. In Korea, these are called Internet shopping malls and they are able to attract a wider audience and significantly, a different type of audience. In general, the target audience for home shopping is females, 30-50 years old, whereas the target audience for the Internet is 20-30 year olds. LG Home Shopping and CJ Home Shopping operate the two most successful Internet retailing sites of any home shopping company. Both companies have strong brand recognition.

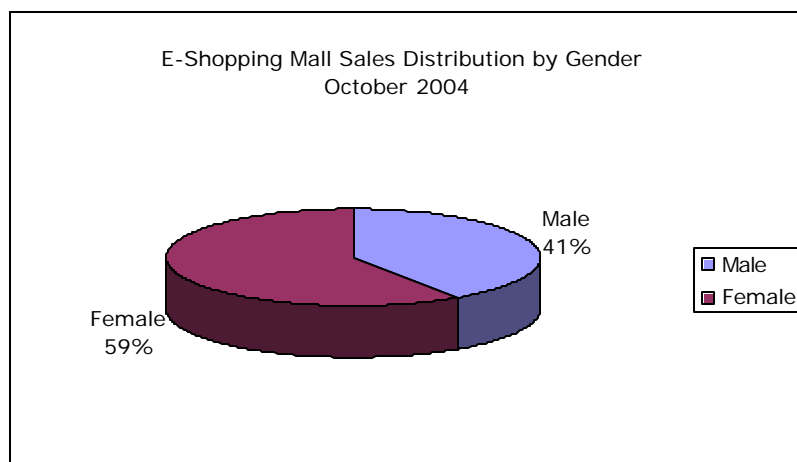
**Table 2: Major Internet Retailers Sales (2002-2003)**

Unit: Million USD

Auction	47
Lgeshop	30
Lotte.com1	36
Interpark	14
CJ Mall	12
Daum	17
Samsung Mall	32
Hansol CSN	18
Others	33
TOTAL	531

Exchange Rate used: 1 USD = 950.260 KRW (7/10/2006)

Source: Euromonitor

**Chart 3: Distribution by Gender**

Source: The Korean Chamber of Commerce and Industry

The number of online grocery stores in the Korean market is small but growing due to the growing purchasing power of the female Internet user. Online grocery stores have recently gained popularity because there has been a sharp increase in the number of households with both spouses working.

**Table 3: Major Online Grocery Stores sales (1999-2003)**

Unit: Million USD

Year	Food/Beverages
1999	1
2000	6
2001	15
2002	45
2003	50

Exchange Rate used: 1 USD = 950.260 KRW (7/10/2006)

Source: Euromonitor, KEDMA and trade press

### 3. TV Home Shopping and Internet Company Profiles

Nongsusan TV Home Shopping ([www.nseshop.com](http://www.nseshop.com))

Nongsusan (which translates as 'agricultural products') is the main TV home shopping channel for food. According to an industry analyst, total sales reached \$484 million in 2005, 60 percent of which were from agricultural products. This is double the amount of all other home shopping companies combined. Out of the total sales of agricultural products, only five percent were imported and one percent of which was from the United States.

**Table 3: Popular Agricultural Products sold through Home Shopping**

Rank	Product	Imported Country
1	Kiwi Fruit	New Zealand
2	Walnut	United States
3	Dried Fruits (Dried cranberry, blueberry and prunes)	United States
4	Beef Jerky	Australia, New Zealand

GS Home Shopping ([www.gseshop.co.kr](http://www.gseshop.co.kr))

GS Home Shopping, formerly LG Home Shopping, was founded in 1994. The company, the third largest TV home shopping outlet (behind QVC and HSN), beams 20 hours of live television programming each day into more than 12 million homes throughout Asia. GSeShop is GS Home Shopping's Internet shopping mall that not only allows customers to order goods from the Internet, but provides more than 2.2 million product reviews. GS Home Shopping also circulates more than 1.5 million catalogs each month that feature over 1,000 products. However, recently their sales have been declining slightly due to the competition from newer entrants.

CJ Home Shopping ([www.cjmall.com](http://www.cjmall.com))

CJ Home Shopping Company Limited formerly known as CJ 39 Shopping sells a broad range of products through multiple channels and is a division of the Cheil Jedang Group, one of the largest consumer goods companies in Korea. Since launching its first TV home shopping channel in 1995, CJ Home Shopping diversified its businesses to include catalogs in 1996 and CJ Mall (an Internet shopping mall) in 2001, thereby developing into a total online distributor. Electronics and furniture accounted for 36% of 2001 revenues; general goods, 33%; clothes, 20%; jewelry, 6%; and the remainder was from advertising sales, commissions and other, 5%. In 2004, CJ expanded to China by opening Oriental CJ, a home shopping affiliate in Shanghai.

#### 4. Online Grocery Company Profiles

E-Mart (emart.co.kr)

E-Mart is the largest hypermarkets in Korea whose main strategy is providing fresh agricultural and fishery products at a low cost. In addition, they offer fast, high quality, 24-hour shipping services. E-Mart opened its online shopping mall in October 2004 and quickly expanded the number of products. Retail storage space is located at their offline hypermarket sites. Customers can exchange products that were purchased online at local branches around the country.

#### Section III. Best Prospects

In the beginning of this industry, old products, or low-cost products were sold through home shopping; however as the scale of product sales expands, the composition of the goods has become higher quality and branded goods that are able to be better promoted. In addition, Internet outlets offer a direct link to consumers and may become an increasingly valuable outlet for imported products.

Home shopping may not be the best outlet for new-to-market products. One disadvantage of this industry is that the customer does not actually get to look at the product and often must rely on their confidence in the brand, word of mouth or previous experience with the product at a grocery store.

The most popular agricultural products that are sold through home shopping companies seem to be those that fit into current trends, such as the "well-being trend." Korean consumers, much more so than American consumers, are extremely health conscious and are very interested in products that can make a health claim.

#### Section IV. Post Contact and Further Information

For further information or assistance on the Korean popcorn market, please contact:

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Tel: (011-82-2-) 397-4188

Fax: (011-82-2-) 720-7921

Email: [atoseoul@usda.gov](mailto:atoseoul@usda.gov)

FAS Homepage: [www.fas.usda.gov](http://www.fas.usda.gov)

ATO Homepage: [www.atoseoul.com](http://www.atoseoul.com)

For general information on the Republic of Korea's imports tariffs, concessions, and prohibitions go to: <http://www.apectariff.org>

For detailed information on the situation and outlook for impacts of specific agricultural and food products go to: <http://www.fas.usda.gov> and click on "Attaché Reports"

#### Section V. References

Euromonitor, "Retailing in South Korea," October 1, 2004.

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Hong Kong Trade Development Council, "Korean Home Shopping a TV Favorite," June 27, 2002.

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